

INFORMATION PAPER

2 January 2004

SUBJECT: Unique Identification (UID) and Contracting

1. PURPOSE: To provide discussion on the subject.

2. Background

The release of an interim DFARS rule in October 2003 set the stage for launching an ambitious program of uniquely identifying Department of Defense (DoD) assets, a major step in improving both financial and logistics management within the Department. This Unique Item Identification (UID) program encompasses part marking, configuration control, systems engineering, asset management, and asset accountability and valuation. Contracts professionals, whether in the DoD or in the defense industry, need to know how to deal with the new solicitation requirements. For the latest information, see <http://www.acq.osd.mil/uid/>.

The interim rule establishes requirements for contractors to furnish unique item identifiers, or other item identification, and to provide the Government's acquisition cost of items that are to be delivered to the Department under a DoD contract.

- a. All items delivered to the Department will be delivered under a contract line item and that the Department's acquisition cost of each item will be identified under a contract line item or subline item
- b. Contracting officers shall include the clause at 252.211-7003, Item Identification and Valuation, in all solicitations and contracts that require delivery of items.
- c. Contractors are required to provide unique item identification, or a DoD recognized unique identification equivalent, for all items delivered with an acquisition cost of \$5,000 or more.
- d. Program managers will identify items requiring unique identification, including embedded subassemblies, components and parts. Unique identification may be identified in a Contract Data Requirements List (CDRL).
- e. Under the clause at 252.211-7003, marking of items shall be in accord with MIL-STD-130L, Identification Marking of U.S. Military Property.

3. Preparing Solicitations and Awarding Contracts

The program manager has the responsibility to determine the need for, and application of, UID for items below \$5,000 in acquisition cost, as well as embedded subassemblies, components and parts. Generally, UID implementation will vary with the product life cycle, ranging from out-of-production systems, to in production, or in advance of production, and whether the items are uniquely military or commercial off-the-shelf (COTS). The UID requirement for part marking flows down to suppliers as well.

After January 1, 2004 all requests for proposals (RFPs) must include DFARS clause 252.211-7003, Item Identification and Valuation, and reference to MIL-STD-130L. The new/revised data item description (DID) may need to be included and identified on the CDRL, due at the time of delivery for UIDs for subassemblies, components and parts embedded within end items. This DID would not be required if the delivered end item is a single spare component or part. More importantly, the contract line item number (CLIN) structure must be organized to identify all end-items, either at the CLIN level, or with sub line item numbers (SLINs) for more complex situations where different end-items are to be delivered within a lot. On larger contracts, some CLINs may not result in the delivery of tangible items. For example, a contract may include delivery of hardware and services—where only the hardware will have UID requirements.

In requesting proposal responses, whether competitive or sole-source, it is recommended that no identifying UID or values be solicited from bidders, except where the normal CLIN pricing would be required. This avoids the cost and complexity of asking bidders, some of whom will be unsuccessful in competitions, from supplying the UID and value information at lower levels of detail. Even in sole-source scenarios, SLIN information about UIDs and associated values would need to be adjusted to the final negotiated price if solicited too early in the proposal process. UID and valuation information is not certified cost and pricing data, unless it is the data used by the contractor in estimating negotiated prices for the contract.

When the contract is finally negotiated and awarded, the PCO should work with the contractor to extend the CLIN structure as necessary, using informational SLINs if needed, and enter known UID and valuation references. These may need to be updated via subsequent contract modifications to incorporate other UID and valuation information as it becomes known during the contract performance.

4. Fixed-Price vs. Cost-Type Contracts

The effects of UID vary by contract type. On fixed-price contracts, the application of the valuation policy is fairly simple: the final negotiated price, with any subsequent modifications through the time of delivery, is the value to be associated with the end-item. In the case of a lot buy, SLINs may be needed to segregate dissimilar items with their UIDs and associated values, although these will not affect payment. It is recommended that target fees be used for values on fixed-price incentive contracts unless

the contract has been fully completed at the time of delivery and the final fee has been determined.

Cost-type contracts pose challenges for both the PCO and the contractor, since the final price is not known at the time of contract award. Fortunately, the bulk of DoD's purchase of tangible items is done under fixed-price contracts. If the cost-type contract requires the delivery of tangible end-item(s), the valuation policy will apply.

Cost will need to be collected for CLINs that result in delivered tangible end-items. The valuation will be the contractor's estimate of the fully burdened cost of the item to the Government at the time of delivery to the Government.

5. A sample Instructions to Offerors and the DFARS clause are attached.

INSTRUCTIONS TO OFFERORS

This solicitation contains DFARS clause 252.211-7003, Item Identification and Valuation. The clause requires unique item identification marking, or a DoD recognized unique identification equivalent, for all items delivered under the contract for which the Government's acquisition cost is \$5,000 or more. Unique item identification marking is also required for items listed in paragraph (c)(1)(ii) of the clause. Unique item identification marking is required for embedded subassemblies, components and parts if listed in paragraph (c)(1)(ii), or if listed elsewhere in the contract. The clause also requires the contractor to report the Government's acquisition cost for each item delivered under the contract. Information concerning these requirements is available at <http://www.acq.osd.mil/uid>.

252.211-7003 Item Identification and Valuation.

As prescribed in 211.274-3, use the following clause:

Item Identification and Valuation (Jan 2004)

(a) Definitions. As used in this clause--

Automatic identification device means a device, such as a reader or interrogator, used to retrieve data encoded on machine-readable media.

Commonly accepted commercial marks means any system of marking products for identification that is in use generally throughout commercial industry or within commercial industry sectors. Some examples of commonly accepted commercial marks are: EAN.UCC Global Trade Item Number; Automotive Industry Action Group B-4 Parts Identification and Tracking Application Standard, and B-2 Vehicle Identification Number Bar Code Label Standard; American Trucking Association Vehicle Maintenance Reporting Standards; Electronic Industries Alliance EIA 802 Product Marking Standard; and Telecommunications Manufacturers Common Language Equipment Identification Code.

Concatenated unique item identifier means--

(1) For items that are serialized within the enterprise identifier, the linking together of the unique identifier data elements in order of the issuing agency code, enterprise identifier, and unique serial number within the enterprise identifier; or

(2) For items that are serialized within the original part number, the linking together of the unique identifier data elements in order of the issuing agency code, enterprise identifier, original part number, and serial number within the part number.

Data qualifier means a specified character (or string of characters) that immediately precedes a data field that defines the general category or intended use of the data that follows.

DoD recognized unique identification equivalent means a unique identification method that is in commercial use and has been recognized by DoD. All DoD recognized unique identification equivalents are listed at <http://www.acq.osd.mil/uid>.

DoD unique item identification means marking an item with a unique item identifier that has machine-readable data elements to distinguish it from all other like and unlike items. In addition--

(1) For items that are serialized within the enterprise identifier, the unique identifier shall include the data elements of issuing agency code, enterprise identifier, and a unique serial number.

(2) For items that are serialized within the part number within the enterprise identifier, the unique identifier shall include the data elements of issuing agency code, enterprise identifier, the original part number, and the serial number.

Enterprise means the entity (i.e., a manufacturer or vendor) responsible for assigning unique item identifiers to items.

Enterprise identifier means a code that is uniquely assigned to an enterprise by a registration (or controlling) authority.

Government's unit acquisition cost means--

(1) For fixed-price type line, subtitle, or exhibit line items, the unit price identified in the contract at the time of delivery; and

(2) For cost-type line, subtitle, or exhibit line items, the Contractor's estimated fully burdened unit cost to the Government for each item at the time of delivery.

Issuing agency code means a code that designates the registration (or controlling) authority.

Item means a single hardware article or unit formed by a grouping of subassemblies, components, or constituent parts required to be delivered in accordance with the terms and conditions of this contract.

Machine-readable means an automatic information technology media, such as bar codes, contact memory buttons, radio frequency identification, or optical memory cards.

Original part number means a combination of numbers or letters assigned by the enterprise at asset creation to a class of items with the same form, fit, function, and interface.

Registration (or controlling) authority means an organization responsible for assigning a non-repeatable identifier to an enterprise (i.e., Dun & Bradstreet's Data Universal Numbering System (DUNS) Number, Uniform Code Council (UCC)/EAN International (EAN) Company Prefix, or Defense Logistics Information System (DLIS) Commercial and Government Entity (CAGE) Code).

Serial number within the enterprise identifier or unique serial number means a combination of numbers, letters, or symbols assigned by the enterprise to an item that provides for the differentiation of that item from any other like and unlike item and is never used again within the enterprise.

Serial number within the part number or serial number means a combination of numbers or letters assigned by the enterprise to an item that provides for the differentiation of that item from any other like item within a part number assignment.

Serialization within the enterprise identifier means each item produced is assigned a serial number that is unique among all the tangible items produced by the enterprise and is never used again. The enterprise is responsible for ensuring unique serialization within the enterprise identifier.

Serialization within the part number means each item of a particular part number is assigned a unique serial number within that part number assignment. The enterprise is

responsible for ensuring unique serialization within the part number within the enterprise identifier.

Unique item identification means marking an item with machine-readable data elements to distinguish it from all other like and unlike items.

Unique item identifier means a set of data marked on items that is globally unique, unambiguous, and robust enough to ensure data information quality throughout life and to support multi-faceted business applications and users.

Unique item identifier type means a designator to indicate which method of uniquely identifying a part has been used. The current list of accepted unique item identifier types is maintained at <http://www.acq.osd.mil/uid>.

(b) The Contractor shall deliver all items under a contract line, subline, or exhibit line item.

(c) Unique item identification.

(1) The Contractor shall provide DoD unique item identification, or a DoD recognized unique identification equivalent, for--

(i) All items for which the Government's unit acquisition cost is \$5,000 or more; and

(ii) The following items for which the Government's unit acquisition cost is less than \$5,000:

Contract Line, Subline, or Exhibit Line Item Number

Item Description

(iii) Subassemblies, components, and parts embedded within items as specified in Exhibit Number ----- or Contract Data Requirements List Item Number -----.

(2) The unique item identifier and the component data elements of the unique item identifier shall not change over the life of the item.

(3) Data syntax and semantics. The Contractor shall--

(i) Mark the encoded data elements (except issuing agency code) on the item using any of the following three types of data qualifiers, as specified elsewhere in the contract:

(A) Data Identifiers (DIs) (Format 06).

(B) Application Identifiers (AIs) (Format 05), in accordance with ISO/IEC International Standard 15418, Information Technology--EAN/UCC Application Identifiers and ASC MH 10 Data Identifiers and ASC MH 10 Data Identifiers and Maintenance.

(C) Text Element Identifiers (TEIs), in accordance with the DoD collaborative solution ``DD" format for use until the final solution is approved by ISO JTC1/SC 31. The DoD collaborative solution is described in Appendix D of the DoD Guide to Uniquely Identifying Items, available at <http://www.acq.osd.mil/uid>; and

(ii) Use high capacity automatic identification devices in unique identification that conform to ISO/IEC International Standard 15434, Information Technology--Syntax for High Capacity Automatic Data Capture Media.

(4) Marking items.

(i) Unless otherwise specified in the contract, data elements for unique identification (enterprise identifier, serial number, and, for serialization within the part number only, original part number) shall be placed on items requiring marking by paragraph (c)(1) of this clause in accordance with the version of MIL-STD-130, Identification Marking of U.S. Military Property, cited in the contract Schedule.

(ii) The issuing agency code--

(A) Shall not be placed on the item; and

(B) Shall be derived from the data qualifier for the enterprise identifier.

(d) Commonly accepted commercial marks. The Contractor shall provide commonly accepted commercial marks for items that are not required to have unique identification under paragraph (c) of this clause.

(e) Material Inspection and Receiving Report. The Contractor shall report at the time of delivery, as part of the Material Inspection and Receiving Report specified elsewhere in this contract, the following information:

(1) Description.*

(2) Unique identifier**, consisting of--

(i) Concatenated DoD unique item identifier; or

(ii) DoD recognized unique identification equivalent.

(3) Unique item identifier type.**

(4) Issuing agency code (if DoD unique item identifier is used).**

(5) Enterprise identifier (if DoD unique item identifier is used).**

(6) Original part number.**

(7) Serial number.**

(8) Quantity shipped.*

(9) Unit of measure.*

(10) Government's unit acquisition cost.*

(11) Ship-to code.

(12) Shipment date.

(13) Contractor's CAGE code or DUNS number.

(14) Contract number.

(15) Contract line, subline, or exhibit line item number.*

(16) Acceptance code.

* Once per contract line, subline, or exhibit line item.

** Once per item.

(f) Material Inspection and Receiving Report for embedded subassemblies, components, and parts requiring unique item identification. The Contractor shall report at the time of delivery, as part of the Material Inspection and Receiving Report specified elsewhere in this contract, the following information:

(1) Unique item identifier of the item delivered under a contract line, subline, or exhibit line item that contains the embedded subassembly, component, or part.

(2) Unique item identifier of the embedded subassembly, component, or part, consisting of--

(i) Concatenated DoD unique item identifier; or

(ii) DoD recognized unique identification equivalent.

(3) Unique item identifier type.**

(4) Issuing agency code (if DoD unique item identifier is used).**

(5) Enterprise identifier (if DoD unique item identifier is used).**

(6) Original part number.**

(7) Serial number.**

(8) Unit of measure.

(9) Description.

** Once per item.

(g) The Contractor shall submit the information required by paragraphs (e) and (f) of this clause in accordance with the procedures at <http://www.acq.osd.mil.uid>.

(h) Subcontracts. If paragraph (c)(1)(iii) of this clause applies, the Contractor shall include this clause, including this paragraph (h), in all subcontracts issued under this contract.

(End of clause)